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26 July 1966

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CENTRAL INTELLIGENCE BULLETIN

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Approved For Release 2003/04/22 : CIA-RDP79T00975A009100160001-3

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Indonesia: The Indonesian cabinet announced yesterday is, as had been anticipated, a victory for army chief General Suharto.

As chairman of the presidium, Suharto will head the cabinet. He also retains the defense portfolio. The five "first ministers" who make up the presidium include the triumvirate that directed the preceding cabinet -- Suharto, Adam Malik, and the Sultan of Jogjakarta. The other two are representatives of Indonesia's two largest parties--Chalid of the Nahdatul Ulama (NU) and Sanusi of the National Party.

Three minor parties are also represented in the cabinet--the Catholic Party, the Christian Party, and the pro-army Association of Supporters for Indonesian Independence. However, 12 of the 27 individuals in the cabinet are military officers, and several ministers appear to be technicians rather than political selections.

The inclusion of Chalid, [REDACTED]

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[REDACTED] is Suharto's only major concession to President Sukarno, whose position thus has been further eroded. As first minister for people's welfare, Chalid will have under him the ministers of education, religion, social affairs, public health, and manpower mobilization. Only one of these, the minister of religion, is a member of the NU. [REDACTED]

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During the cabinet negotiations Suharto and his colleagues were determined that certain portfolios should not go to politicians. These included the six ministries grouped under economics and finance-- which have now gone to either military officers or technicians--as well as the home affairs and information ministries, both of which could be exploited during the pre-election period. An army officer, Major General Basuki Rakmat, will hold the home affairs portfolio. The information post has been given to Burhanuddin Diah, a newspaper editor and diplomat who is close to Adam Malik.

Malik, who aside from Suharto is probably the ablest man in the cabinet, remains foreign minister and retains his general supervisory position over internal political affairs.

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Sudan: The ouster on 25 July of Prime Minister Mohammad Mahjoub may bring an end to the prolonged political infighting which has paralyzed the Sudanese Government.

A nonconfidence vote was called in the Sudan's Constituent Assembly by supporters of Sadiq al-Mahdi, president of the dominant Umma party, who is expected to form a new government. Sadiq had been opposed in his bid for the premiership by the Imam al-Hadi al-Mahdi, spiritual leader of the Ansar sect--which forms the Umma's power base--and a strong supporter of Mahjoub. A substantial majority of Umma parliamentarians have long supported Sadiq's candidacy, but Sadiq himself had heretofore been reluctant to risk an open split within the party.

The Imam has called large numbers of his tribal supporters into the Khartoum area, but it is not clear that he intends to use them to block formation of the new government. The National Union Party, the Umma's coalition partner, is apparently backing Sadiq. Security forces have been put on the alert to maintain order in the capital. [REDACTED]

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UK: [Britain's defense establishment got off rather easily in the economy measures announced last week.]

[The economic package does not include any cuts in overseas military deployment beyond those already planned. According to Defense Minister Healey, it calls for a reduction of \$280 million in overseas spending, but the only new measures definitely decided upon are a cut of \$70 million from foreign aid programs, and of \$2.8 million in the Foreign Office's overseas costs. The rest is to be saved mainly by accelerating reductions already planned in British troops in Malaysia. London also hopes to persuade West Germany to increase its offset of the foreign exchange cost of the British Army of the Rhine (BAOR).]

[London has long threatened to reduce the BAOR unless Bonn increases its purchases of British military goods, or agrees to direct payments to the UK Treasury, to offset the BAOR's foreign exchange cost of about \$263 million a year. Negotiations on this issue, however, are likely to drag on at least until a British - West German commission, appointed last May, reports on the problem in late September.]

[Nevertheless, London seems determined this time to reduce this particular foreign exchange drain and some cuts in BAOR seem almost certain, possibly as part of a cut in over-all British troop strength.]

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SELECTED SOVIET-ANNOUNCED FIGURES ON PLAN FULFILLMENT, 1965-66*
(Percentage Change from Corresponding Period of Previous Year)

	1965		1966	
	1st 6 Mos.	Full Year	1st 6 Mos.	Full Year Plan
<u>Gross Industrial Production</u>	9.3	8.5	8	N.A.
<u>Industrial Materials</u>				
Electric Power	10	10	8	11.3
Coal	5	4	2	3.4
Crude Petroleum	8	9	9	8.6
Gas	17	17	13	14.7
Mineral Fertilizers	26	23	17	14
Plastics and Resins	16	14	15	29
<u>Civilian Machinery</u>				
Chemical Equipment	17	12	7	N.A.
Oil Equipment	14	0	-3	N.A.
Agricultural Equipment	3	3	3	N.A.
<u>State Plan Investment</u> (about 75% of total)	10	9	2	6.3
<u>Industrial Branches</u>				
Electric and Thermal Power	11	11	10	N.A.
Fuels	7	7	7	N.A.
Ferrous and Non-Ferrous Metallurgy	8	9	9	N.A.
Chemicals	14	14	12	N.A.
Machine Building and Metal- working	9	9	11	N.A.
Lumber, wood-processing and cellulose-paper	5	4	3	N.A.
Construction materials	10	9	10	N.A.
Light (Consumer Goods)	10	8	8	6
Food			4	
Household Articles	8	10	13	N.A.

* Soviet official figures of industrial growth are 2-3% higher than CIA and other Western estimates.
N.A. - Not Available.

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USSR: Soviet economic statistics for the first half of 1966 indicate no improvement over the unsatisfactory performance of the economy in recent years.

The figures seem to suggest a further increase in the share of durables devoted to military and space programs. This is implied by a slight increase in the rate of growth in the production of machinery with a concurrent decline in the rate of growth of principal civilian machinery users.

A harbinger of continued difficulties is the virtual stagnation of gross fixed investments in new plant and equipment. State plan investment--about 3/4 of the total--increased only two percent over the same period last year. In recent years the Soviets have consistently failed to achieve an increase in the annual rate of investment sufficient to maintain the desired rate of growth for industrial output.

The figures on the growth of the energy industries provide another indicator of increased difficulties. Only petroleum production maintained last year's rate of growth and is meeting the planned rate. The growth in electric power consumption was the lowest for any six-month period in the past decade.

On the basis of the statistics, the consumer made out little better than last year. Some progress does appear, however, in the program to remedy the traditional neglect of agriculture. [REDACTED]

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*Brazil: Yesterday's bombing incidents in Recife may have inaugurated a wave of terrorism designed to discredit the Castello Branco government and disrupt this fall's national elections.

At least three persons were killed and several injured in three separate bomb explosions in Recife. In what appeared to have been an assassination attempt, a powerful blast was set off at the Recife airport just as the government-backed presidential candidate, retired marshal Arturo Costa e Silva, was scheduled to arrive. Costa e Silva was uninjured, however, since his aircraft had been delayed and he was forced to travel by car.

The perpetrators of the incidents have not yet been apprehended, although local security forces have begun a sweep of known Communists in the area. The government can be expected to take firm measures against known oppositionists. The bombings took place at a time when pre-election tensions have begun to climb.

The legislatures of half of Brazil's 22 states will elect new governors on 3 September, Congress will choose the new president on 3 October, and direct elections for the new federal congress are slated to be held on 15 November. Costa e Silva is the sole candidate for the presidency. The Brazilian Democratic Movement--the only legally recognized opposition party--may not name presidential or gubernatorial candidates, since it believes that the regime is using arbitrary and undemocratic methods to ensure the victory of the government party's candidates.

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As the election dates approach, further incidents, including attacks against US installations and property, can be expected. The target of one of the Recife blasts was a USIS office. Local security forces are believed capable of preventing such terrorism from becoming a serious threat to governmental stability, however.

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[* Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State or of the Defense Intelligence Agency, Department of Defense.]

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NOTE

Congo (Kinshasa): The situation is calm in Kisangani (Stanleyville), and the mutiny of Katangese troops and a few mercenaries has not spread to other parts of the country. Premier Mulamba, however, is apparently having some trouble reaching an agreement with the mutineers. American citizens have been evacuated from Kisangani.

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The Director of Naval Intelligence, Department of Navy

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